

EXHIBIT C

LEHMAN BROTHERS HOLDINGS INC

FORM 10-K (Annual Report)

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Address	LEHMAN BROTHERS 745 SEVENTH AVENUE NEW YORK, NY 10019
Telephone	2125267000
CIK	0000806085
Symbol	LEHMQ
SIC Code	6211 - Security Brokers, Dealers, and Flotation Companies
Industry	Investment Services
Sector	Financial
Fiscal Year	12/31

Fixed Income Derivatives. We offer a broad range of interest rate- and credit-based derivative products and related services. Derivatives' professionals are integrated into all of our Fixed Income areas in response to the worldwide convergence of the cash and derivative markets.

Foreign Exchange. Our global foreign exchange operations provide market access and liquidity in all currencies for spot, forward and over-the-counter options markets around the clock. We offer our clients execution, analysis and hedging capabilities, utilizing foreign exchange as well as foreign exchange options and other foreign exchange derivatives. We also provide advisory services to central banks, corporations and investors worldwide, structuring innovative products to fit their specific needs. We make extensive use of our global macroeconomics research to advise clients on the appropriate strategies to manage their interest rate and currency risk.

Insurance. We continue to build out our ability to provide financing, securitization and capital markets execution services for clients with insurance-related portfolios. During 2007, we acquired Congress Life Insurance Company, a life insurance company with licenses in 43 U.S. states, and a minority interest in Wilton Re Holdings Limited, a U.S. re-insurer that focuses on the reinsurance of mortality risk on life insurance policies.

Commodities. In 2005, Lehman Brothers established an energy trading business with global capability in power, natural gas and oil. The business includes futures, swaps, options and other structured products, as well as physical trading. We deliver energy and commodity risk solutions to customers around the globe, complementing the Firm's investment banking franchise in power and natural resources, as well as its global sales and distribution platform and capabilities in global trading, derivatives, research, finance and risk management. We are active in the markets for crude oil and refined products, electricity, natural gas, coal, emissions and precious and base metals, trading all major financial commodity products, including futures, swaps, options and structured products. We offer innovative commodity index solutions for investors seeking alternative ways to gain exposure to this asset class.

During 2007, we acquired Eagle Energy Partners I, L.P., a Texas-based energy marketing and services company that manages and optimizes supply, transportation, transmission, load and storage portfolios on behalf of wholesale natural gas and power clients. We also acquired a 56.5% controlling interest in SkyPower Corp., a Toronto-based early stage wind and solar power generation development company.

Global Principal Strategies and Global Trading Strategies. Global Principal Strategies is a proprietary trading business that employs multiple strategies across global markets, including capital and credit arbitrage and aviation finance and private equity investment opportunities. Global Trading Strategies is a global proprietary multi-strategy value-oriented business whose investment strategies include merger arbitrage, distressed debt, special situations and private equity.

Capital Markets Prime Services. The Capital Markets Prime Services group services clients in both Fixed Income and Equities Capital Markets and includes our Secured Financing, Prime Broker, Futures and Clearing and Execution businesses.

The Secured Financing business within Capital Markets engages in three primary functions: managing our equity and fixed income matched book activities, supplying secured financing to institutional clients and obtaining secured funding for our inventory of equity and fixed income products. Matched book funding involves borrowing and lending cash on a short-term basis to institutional clients and counterparties collateralized by marketable securities, typically government or government agency securities. We enter into these agreements in various currencies and seek to generate profits from the difference between interest earned and interest paid. Secured Financing works with our institutional sales force to identify clients that have cash to invest and/or securities to pledge to meet our financing and investment objectives and those of our clients. Secured Financing also coordinates with our Treasury group to provide collateralized financing for a large portion of our securities and other financial instruments owned. In addition to our activities on behalf of our U.S. clients, we are a major participant in the European and Asian repurchase agreement markets, providing secured financing for our clients in those regions. Secured Financing provides margin loans in all markets for client purchases of securities, as well as securities lending and short-selling facilitation.

The Prime Broker business engages in full operations, clearing and processing services for its hedge fund and other clients. Along with Secured Financing, it offers a full suite of prime brokerage products and services, including margin financing and yield enhancement through synthetic and traditional products, global securities lending (including eBorrow, our online securities lending tool), full-service global execution platforms and research teams, customized risk management solutions, introduction of clients to suitable institutional investors, portfolio accounting and reporting solutions and personalized client service.

Our Futures business executes and clears futures transactions for clients on an agency basis. The Clearing and Execution business provides these services to broker-dealers and other clients that do not have the capacity themselves.

LB's, NB LLC's and NBMI's primary regulator), national securities exchanges such as the NYSE and the Municipal Securities Rulemaking Board, among others. Securities firms are also subject to regulation by state securities administrators in those states in which they conduct business. Various subsidiaries are registered as broker-dealers in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

Broker-dealers are subject to regulations, including those contained in the Securities Act of 1933 and the Securities Exchange Act of 1934, and rules promulgated thereunder, that cover all aspects of the securities business, including sales practices, market making and trading among broker-dealers, publication of research, margin lending, use and safekeeping of clients' funds and securities, capital structure, recordkeeping and the conduct of directors, officers and employees.

Registered investment advisers are subject to regulations under the Investment Advisers Act of 1940. Such requirements relate to, among other things, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an adviser and advisory clients, as well as general anti-fraud prohibitions.

Certain investment funds that we manage are registered investment companies under the Investment Company Act of 1940. Those funds and the Lehman Brothers entities that serve as the funds' investment advisers are subject to that act and the rules thereunder, which, among other things, regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions.

LB and NB LLC are also registered with the Commodity Futures Trading Commission (the "CFTC") as futures commission merchants, and NB LLC, LBAM and other subsidiaries are registered as commodity pool operators and/or commodity trading advisers. These entities are subject to regulation by the CFTC and various domestic boards of trade and other commodity exchanges. Our U.S. commodity futures and options business is also regulated by the National Futures Association, a not-for-profit membership corporation that has been designated as a registered futures association by the CFTC.

LB Bank, a federally chartered savings bank incorporated under the laws of the United States of America, is regulated by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation ("FDIC"). LB Commercial Bank is subject to regulation by the FDIC and the Utah Commissioner of Financial Institutions. Lehman Brothers Trust Company N.A., which holds a national bank charter, is regulated by the Office of the Comptroller of the Currency of the United States. Lehman Brothers Trust Company of Delaware, a non-depository limited purpose Delaware trust company, is subject to oversight by the State Bank Commissioner of the State of Delaware. These bodies regulate such matters as policies and procedures on conflicts of interest, account administration and overall governance and supervisory procedures.

Lehman Brothers Commodity Services Inc. ("LBCS") is authorized by the Federal Energy Regulatory Commission ("FERC") to sell wholesale physical power at market-based rates. As a FERC-authorized power marketer, LBCS is subject to regulation under the Federal Power Act and FERC regulations.

Our U.S. insurance subsidiaries are subject to state insurance regulation in the states in which they are domiciled and in the other states in which they are licensed.

Non-U.S. Regulation. We do business in the international fixed income and equity markets and undertake international investment banking and investment management activities, principally through our regional headquarters in London and Tokyo. Lehman Brothers International (Europe) ("LB Europe") is an authorized investment firm in the United Kingdom and is a member of the London, Frankfurt, Paris and Milan exchanges, among others. The U.K. Financial Services and Markets Act 2000 (the "FSMA") and rules promulgated thereunder govern all aspects of the United Kingdom investment business, including regulatory capital, sales, research and trading practices, use and safekeeping of client funds and securities, record keeping, margin practices and procedures, approval standards for individuals, periodic reporting and settlement procedures. Pursuant to the FSMA, certain of our subsidiaries are subject to regulations promulgated and administered by the U.K.'s Financial Services Authority ("FSA").

The investment services that are subject to oversight by the FSA and other European regulators are regulated in accordance with European Union ("EU") directives requiring, among other things, customer protection requirements and conduct of business rules. These standards, requirements and rules are similarly implemented, under the same directives, throughout the EU and are broadly comparable in scope and purpose to the customer protection requirements imposed under the SEC and CFTC rules. Some EU directives also permit local regulation in each jurisdiction, including those in which we operate, to be more restrictive than the requirements of such directives.

The EU Markets in Financial Instruments Directive ("MiFID"), a major piece of legislation that updates and expands the current framework for regulating exchanges, multilateral trading facilities and investment firms on a pan-European basis, was implemented in the U.K. and most other EU member states on November 1, 2007. MiFID facilitates cross-border

Management's Discussion and Analysis of Financial Condition and Results of Operations

In millions	Expiration Per Period at November 30,					Total Contractual Amount November 30,	
	2008	2009	2010-2011	2012-2013	Later	2007	2006
Derivative contracts ⁽¹⁾	\$ 87,394	\$ 59,598	\$ 152,317	\$ 210,496	\$ 228,132	\$ 737,937	\$ 534,585
Municipal-securities-related commitments	2,362	733	86	69	3,652	6,902	1,599
Other commitments with variable interest entities	106	3,100	170	963	4,772	9,111	4,902
Standby letters of credit	1,685	5	—	—	—	1,690	2,380
Private equity and other principal investments	820	675	915	173	—	2,583	1,088

⁽¹⁾ We believe the fair value of these derivative contracts is a more relevant measure of the obligations because we believe the notional amount overstates the expected payout. At November 30, 2007 and 2006, the fair value of these derivative contracts approximated \$36.8 billion and \$9.3 billion, respectively.

In accordance with FIN 45, the table above includes only certain derivative contracts meeting the FIN 45 definition of a guarantee. For additional information on these guarantees and other off-balance-sheet arrangements, see Note 9 "Commitments, Contingencies and Guarantees," to the Consolidated Financial Statements.

Derivatives

Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in our Consolidated Statement of Financial Condition. Rather, the market, or fair values, related to derivative transactions are reported in the Consolidated Statement of Financial Condition as assets or liabilities in Derivatives and other contractual agreements, as applicable. Derivatives are presented on a net-by-counterparty basis when a legal right of offset exists, on a net-by-cross product basis when applicable provisions are stated in a master netting agreement; and/or on a net of cash collateral received or paid on a counterparty basis, provided a legal right of offset exists.

We enter into derivative transactions both in a trading capacity and as an end-user. Acting in a trading capacity, we enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities (collectively, "Trading-Related Derivatives").

As an end-user, we primarily use derivatives to hedge our exposure to market risk (including foreign currency exchange and interest rate risks) and credit risks (collectively, "End-User Derivatives"). When End-User Derivatives are interest rate swaps they are measured at fair value through earnings and the carrying value of the related hedged item is adjusted through earnings for the effect of changes in the fair value of the risk being hedged. The hedge ineffectiveness in these relationships is recorded in Interest expense in the Consolidated Statement of Income. When End-User Derivatives are used in hedges of net investments in non-U.S. dollar functional currency subsidiaries, the gains or losses are reported within Accumulated other comprehensive income/(loss), net of tax, in Stockholders' equity.

We conduct our derivative activities through a number of wholly-owned subsidiaries. Our fixed income derivative products business is principally conducted through our subsidiary Lehman Brothers Special Financing Inc., and separately capitalized "AAA" rated subsidiaries, Lehman Brothers Financial Products Inc. and Lehman Brothers Derivative Products Inc. Our equity derivative products business is conducted through Lehman Brothers Finance S.A. and Lehman Brothers OTC Derivatives Inc. Our commodity and energy derivatives product business is conducted through Lehman Brothers Commodity Services Inc. In addition, as a global investment bank, we also are a market maker in a number of foreign currencies. Counterparties to our derivative product transactions primarily are U.S. and foreign banks, securities firms, corporations, governments and their agencies, finance companies, insurance companies, investment companies and pension funds. We manage the risks associated with derivatives on an aggregate basis, along with the risks associated with our non-derivative trading and market-making activities in cash instruments, as part of our firm wide risk management policies. We use industry standard derivative contracts whenever appropriate.

For additional information about our accounting policies and our Trading-Related Derivative activities, see Note 1, "Summary of Significant Accounting Policies," and Note 3, "Financial Instruments and Other Inventory Positions," to the Consolidated Financial Statements.

Special Purpose Entities

We enter into various transactions with special purpose entities ("SPEs"). SPEs may be corporations, trusts or partnerships that are established for a limited purpose. There are two types of SPEs—QSPEs and VIEs.